

**ARIZONA CORPORATION COMMISSION
SPECIAL OPEN MEETING MINUTES**

DATE: March 26, 2004

TIME: 9:00 a.m.

PLACE: Arizona Corporation Commission, 1200 W. Washington St., Room 100, Phoenix, Arizona 85007

ATTENDANCE: No Quorum of Commissioners. See attendance list in Attachment 1.

TOPIC: DSM WORKSHOP

MATTERS DISCUSSED:

Barbara Keene of the Commission Staff welcomed everyone. Each participant made a self-introduction.

The first item on the agenda was the continuation of presentations on DSM (demand-side management) programs and policies. Bill Murphy spoke on DSM for Small GS Customers. A handout of his slides was provided. Mr. Murphy proposed a metering system for general service customers with loads from 100 kW to 1000 kW that involves a website with a password for each company. He mentioned that utilities are reluctant to use Automatic Meter Reading (AMR). One participant said that at a recent conference he learned that the capital cost of AMR for California is \$2 billion. Some utility representatives said that they are doing pilot programs for AMR.

Mr. Murphy recommended that only those who choose to participate in the program should pay. They will have an incentive to pursue savings. Utilities could promote the program. The Energy Office could administer the program. Third parties with the profit motive would provide the service.

Chris Arthur with LightLogix spoke next. His company makes a UL-listed, patented, customized voltage control panel. For each \$1 million, LightLogix can install 55 units that would cut 1.1 MW of lighting load demand.

Vivian Scott of Southwest Gas gave a presentation. Three handouts were provided at the last DSM Workshop. Southwest Gas is constrained by funding, so it will only focus on three programs: Low Income Energy Conservation, Multi-family New Construction, and Technology Information Center. Southwest Gas has found that the market needs assistance in the proper installation of DSM measures rather than the measures themselves.

There was a discussion about new home construction programs. Charlie Gohman of the Arizona Energy Office mentioned that a statewide new home construction program is being considered. It would be like Energy Star but with local features. Jeff Schlegel from the Southwest Energy Efficiency Project (SWEEP) advocated standardization among the various home programs. Tom Hines from Arizona Public Service (APS) cautioned against adding a new home program with a new name for customers to learn about. Instead, he advocates a homebuilder energy bill

guarantee program. Mr. Hines believes that there is more justification for new building codes in the commercial sector than in the residential sector, because new residential builders are already using energy-efficient practices.

Mr. Schlegel did two presentations. The first presentation was an update of what is in the DSM Workshop Progress Report. Utility demand forecasts are now higher than they were. Load growth is closer to 4 percent. Instead of the 2-mill cost that SWEEP had previously estimated, SWEEP now estimates the cost to be 1.5 mills plus an adjustor mechanism for higher costs. Mr. Schlegel is in favor of self-direction for the largest customers, such as mines. If the largest customers can demonstrate that they have done what is needed to be energy-efficient, they should not have to pay for the costs of DSM programs.

Mr. Schlegel than presented a Proposed Energy Efficiency Portfolio. The handout was provided at the last DSM Workshop.

Mr. Schlegel described, in brief, and passed out a copy of the comments that SWEEP offered in the Environmental Portfolio Standard Workshop series.

The group then discussed the development of a DSM policy statement. Ms. Keene gave an example of what a policy might look like: Cogeneration and Small Power Production Policy, approved by the Commission in Decision No. 52345.

David Berry of Western Resource Advocates suggested that Mr. Schlegel send examples of DSM policies from other jurisdictions to Ms. Keene for inclusion on the Commission website.

Dennis Criswell of the Arizona Electric Power Cooperative suggested that all DSM policies be brought into one place, combining reporting requirements. Therefore, utilities would not have to file various reports on the same subject.

Ms. Keene referred to A.A.C. R14-2-213 which contains a Commission policy about conservation. Ms. Keene described the Resource Planning process and read portions of two Resource Planning orders (Decisions No. 57589 and 58643) that mentioned DSM. These orders will be scanned and distributed to Workshop participants. If too large to send, they will be put on the Commission's website.

Ms. Keene mentioned that Texas and Florida have DSM policies. Texas' policy consists of very detailed rules.

The participants developed the following outline of a DSM Policy:

- Policy Statement (R14-2-213 rule as a start)
- Applicability
- DSM Definition
- Goals and Objectives
- Funding Mechanisms
- Cost Recovery
- Cost Effectiveness
- Reporting Requirements
- Key Terms
- Planning

Commission Review and Approval
Evaluation and Monitoring
Fuel Neutrality
Parity and Equity
Program Administration and Implementation
Leveraging and Cooperation
Performance Incentives
Program Objectives and Approaches

Ms. Keene will send the outline to participants on March 29, 2004. Participants will fill in the blanks and return the outline to Ms. Keene by April 14, 2004. Utilities will also include the Commission DSM policies that are specific to their utilities. Ms. Keene will use the responses to develop a straw man policy that will be sent to participants by April 27, 2004.

The following topics will be placed on an agenda of a future Workshop: 1) how to determine the baseline (what is being done today) and 2) should demand response be considered DSM.

The next DSM Workshop will be held on Wednesday, April 28, 2004, from 9:30 a.m. to 4:00 p.m. The Arizona Energy Office will arrange for a meeting room at 1700 W. Washington St.

Ms. Keene will send out to participants tentative dates for the following two DSM Workshops.

Barbara Keene and
Ray Williamson, Utilities Division

Attendees at the DSM Workshop
On March 26, 2004

Attendee	Organization
Stephen Ahearn	Residential Utility Consumer Office
Chris Arthur	LightLogix Inc.
David Berry	Western Resource Advocates
Jana Brandt	Salt River Project
David Couture	Tucson Electric Power
Dennis Criswell	Arizona Electric Power Cooperative
John Duncan	Arizona Public Service
Doug F.	
Charlie Gohman	Arizona Energy Office
Anita Hart	Southwest Gas
Tom Hines	Arizona Public Service
Grant Holmes	ANL Distributors/Volttech, Inc.
Doug Holton	Salt River Project
Marshall Hunt	RHA
Cynthia Janka	Arizona Public Service
Barbara Keene	Arizona Corporation Commission Staff
Barb Klemstine	Arizona Public Service
Steve Koepp	AHS
Cinda LeDesma	Southwest Gas
Paul Li	Bob Lynch's Office
Janna Lorenzen	Salt River Project
Cassius McChesney	Arizona Public Service
Mark McWhirter	Arizona Energy Office
Bill Murphy	Murphy Consulting
Brian O'Donnell	Southwest Gas
Terry Orlick	Arizona Public Service
Amanda Ormond	Ormond Group
Randy Sable	Southwest Gas
Jeff Schlegel	SWEEP
Vivian Scott	Southwest Gas
R. Sherer	Salt River Project
Chuck Skidmore	City of Scottsdale
Bud Walters	Southwest Gas
Ray Williamson	Arizona Corporation Commission Staff
Martha Wright	Southwest Gas